ANNUAL REPORT

2008/09

LENDING AND INSURANCE – BUILDING A STRONG RURAL MANITOBA

Contents

Board of Directors

John Plohman (Chair)
Frieda Krpan (Vice Chair)
Harry Sotas (Vice Chair)
Frank Fiarchuk
Bryan Ferriss
Wilfred Harder
Carol Masse
Sandy Yanick

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Charlene Kibbins – Senior Vice President, Planning & Lending Programs
Craig Thomson – Vice President, Insurance Operations
Lester Vopni – Acting Vice President, Lending Operations, and General Counsel
Paul Bonnet – Vice President, Research & Program Development
Jim Lewis – Vice President, Finance & Administration
Kim Poschenrieder – Manager, Corporate Services

This annual report can be found online at **masc.mb.ca**

La version française de ce rapport annuel se trouve sur le site Internet **masc.mb.ca**

Minister of Agriculture, Food and Rural Initiatives

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

The Honourable John Harvard, P.C., O.M.
Lieutenant-Governor of Manitoba
235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation for the fiscal year ended March 31, 2009.

Yours truly,

Rosann Wowchuk
Minister

Manitoba Agricultural Services Corporation

The Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives
165 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Madam:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation for the fiscal year ended March 31, 2009.

Yours truly,

John S. Plohman

John S. Plohman
Chair, Board of Directors

CHAIR'S MESSAGE

[illegible] growing season and facing increasing economic uncertainty, [illegible] continued to assist Manitoba's agricultural producers and rural entrepreneurs with their [illegible] lending needs.

The 2008/09 fiscal year saw new programs and enhancements, new milestones, a new framework, and new opportunities. There is much new on the Manitoba horizon and MASC remains focused on its vision to build a strong rural Manitoba.

In July, Manitoba signed on to the multilateral 'Growing Forward' framework, an integrated and comprehensive plan to give Canada's agriculture sector the programs necessary for success in domestic and international markets. Keeping with the Growing Forward framework's vision, Production Insurance – a name used since 2003 – was changed to 'AgriInsurance.'

The name change did not alter MASC's commitment to Manitoba's agricultural producers, who continued to expand their insurance coverage. The 2008/09 year saw AgriInsurance grow to its largest size ever, offering $1.8 billion in coverage on 9.2 million acres, with the average dollar values increasing by 25%.

Outside of the Growing Forward framework, MASC's Hail Insurance also experienced sizeable growth. The entirely producer-financed program insured about a half-million more acres in 2008 than in the previous year, and fewer claims meant excess funds were saved to pay for losses in the future.

On the lending side, MASC remains a stalwart supporter of agricultural financing. In 2008/09, we approved over 700 loans, putting almost $100 million into the hands of Manitoba producers wanting to expand their operations. This included an additional $40 million going to cash-strapped hog producers reeling from the dramatic downturn in their industry.

MASC also continued to assist cattle producers who are struggling with the aftermath of BSE, high feed costs, low prices, trade issues and the high Canadian dollar. The BSE Recovery Loan Program, originally offered in 2003, was modified in 2008 so that borrowers in good standing could defer their principal payments for an additional three years.

MASC's loan guarantees remained popular with Manitoba producers and rural entrepreneurs. In particular, the Operating Credit Guarantee (OCG) Program, which provides a 25% guarantee on lines of credit from private lending institutions, was made a permanent program. In 2008, the OCG Program provided guarantees on loans totalling almost $50 million.

The year also saw tremendous expansion in MASC's administration of other programs, including a number of emergency assistance initiatives. On behalf of the Manitoba Government, we continued to: administer the Farmland School Tax Rebate Program, which paid out $27 million in 2008 rebates; compensate for the costs associated with monitoring livestock under Manitoba Bovine TB Mustering Compensation; process payments for Assiniboine Valley Producers Flood Assistance; and deliver emergency assistance through the Manitoba Ruminant Assistance Program. MASC also continued to administer payments for 'ALUS: An Ecological Goods & Services Research Project – Manitoba' on behalf of Canada, Manitoba and other funding agencies.

BOARD OF DIRECTORS (L TO R):

Owing to these and other program delivery successes, the governments of Canada and Manitoba entrusted MASC to administer a host of new AgriRecovery programs in 2008/09. Created in response to devastating rainfall in the Interlake and West Lake areas in 2008, Manitoba Forage Assistance, Manitoba Livestock Feed Assistance and Manitoba Forage Restoration Assistance will help to alleviate the economic hardships facing livestock producers in these areas.

MASC's successes can be traced back to its team of adjustors, field and office staff, as well as executive and Board members, all working together to effectively deliver a complete complement of insurance, lending and other programming. In the last year, the face of our team has changed slightly. I would specifically like to recognize Andrew DeRuyck (Board of Directors member) who stepped down in the past year. We greatly appreciate his hard work and wish him well in his future endeavours.

EXECUTIVE MANAGEMENT (L TO R):

To further confirm our commitment to serving clients, in 2008 MASC created the Board Producer Relations Committee, designed to assist the Board with respect to MASC's interaction and communications with producers and producer groups.

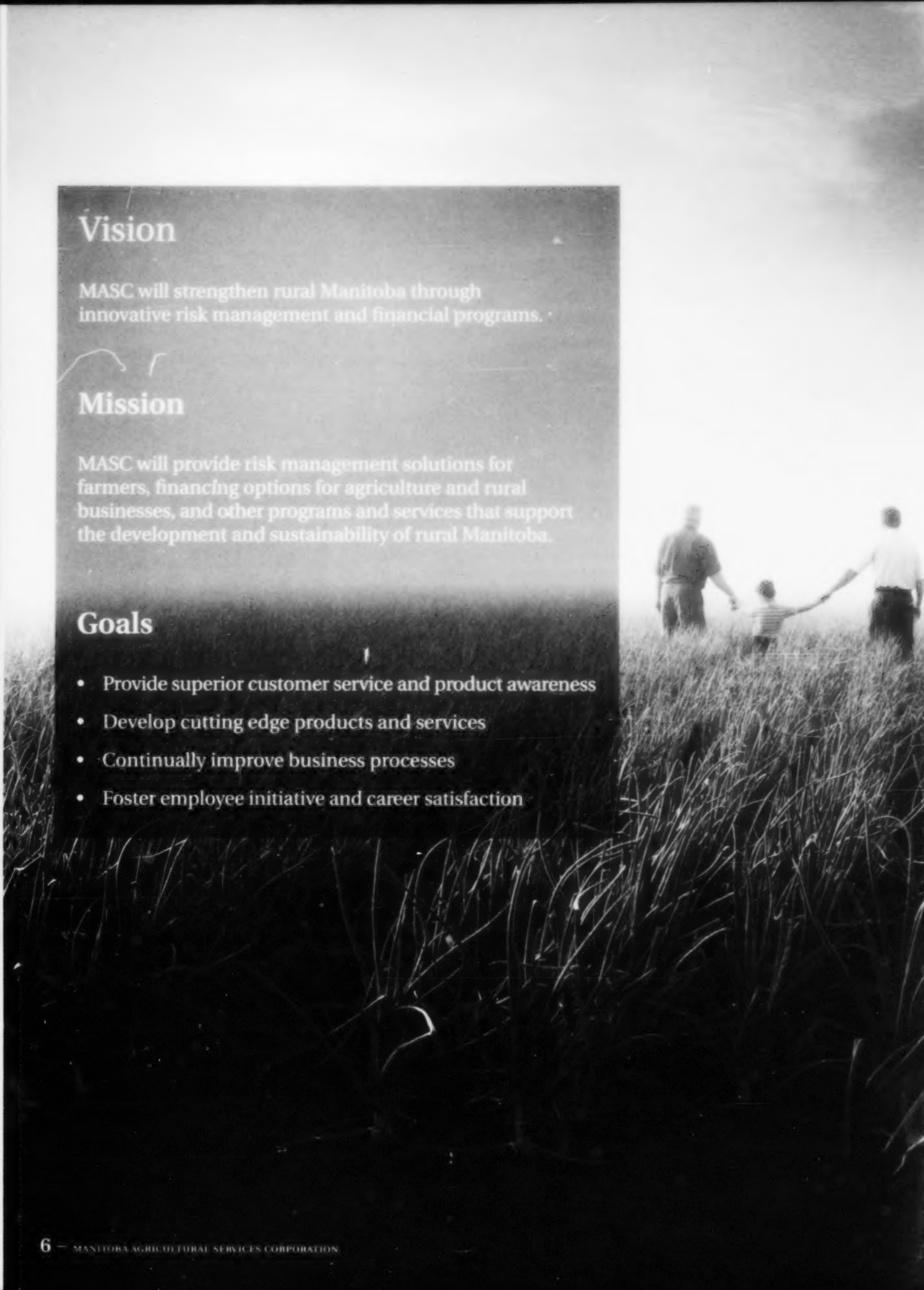
In all, it was a good year for MASC, and I want to thank our staff, executive management, my fellow Board members, and the Minister for helping to make it possible. But most of all, I'd like to recognize the producers of Manitoba.

If the success of MASC can be truly measured, it isn't solely by the effectiveness of our programming or the efficiency of our delivery – those are essential elements of good business. For us, success is measured more by the willingness of producers to look past bad weather and set backs to next year's potential, because our risk mitigation and lending programs have enabled them to carry on. And perhaps most importantly, we believe our success is reflected by producers and entrepreneurs of all generations moving forward through the establishment and expansion of farms and businesses in rural Manitoba.

Ultimately, MASC measures success through the trust placed in us by rural Manitobans. As we look forward to another year, MASC will endeavour to build on that trust, always striving to make our programs more relevant, so that the strengths we build upon will endure.

John S. Plohman

John S. Plohman
Chair



Vision

MASC will strengthen rural Manitoba through innovative risk management and financial programs.

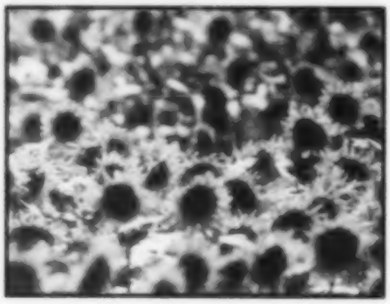
Mission

MASC will provide risk management solutions for farmers, financing options for agriculture and rural businesses, and other programs and services that support the development and sustainability of rural Manitoba.

Goals

- Provide superior customer service and product awareness
- Develop cutting edge products and services
- Continually improve business processes
- Foster employee initiative and career satisfaction

CORPORATE GOVERNANCE



Mandate of the Board

MASC is a Crown corporation of the Manitoba Government, established by *The Manitoba Agricultural Services Corporation Act* of 2005. MASC's Board of Directors is comprised of up to nine directors who are appointed by the Lieutenant-Governor in Council, as are the Board chair and the vice chairs.

MASC's Board of Directors reports to the Minister of Manitoba Agriculture, Food and Rural Initiatives, and is responsible for establishing governance policies, making recommendations to the Minister on programming approvals, and setting MASC's long-term goals and strategies.

Board Committee Structure

The Board of Directors is assisted by the work of the following committees:

acts in place of the Board on matters requiring immediate action, and reviews policies as required prior to Board consideration.

reviews MASC's financial reporting, risk management, actuarial and audit functions, as well as monitoring corporate integrity and compliance with applicable authorities.

assists the Board with interactions and communications with producers and producer groups.

ADMINISTRATION

MASC has a permanent staff of 150, complemented by part-time staff and over 150 adjustors who are employed as needed. MASC is represented by 19 insurance and 16 lending offices located across the province, with the corporate offices for insurance and lending operations in Portage la Prairie and Brandon, respectively.

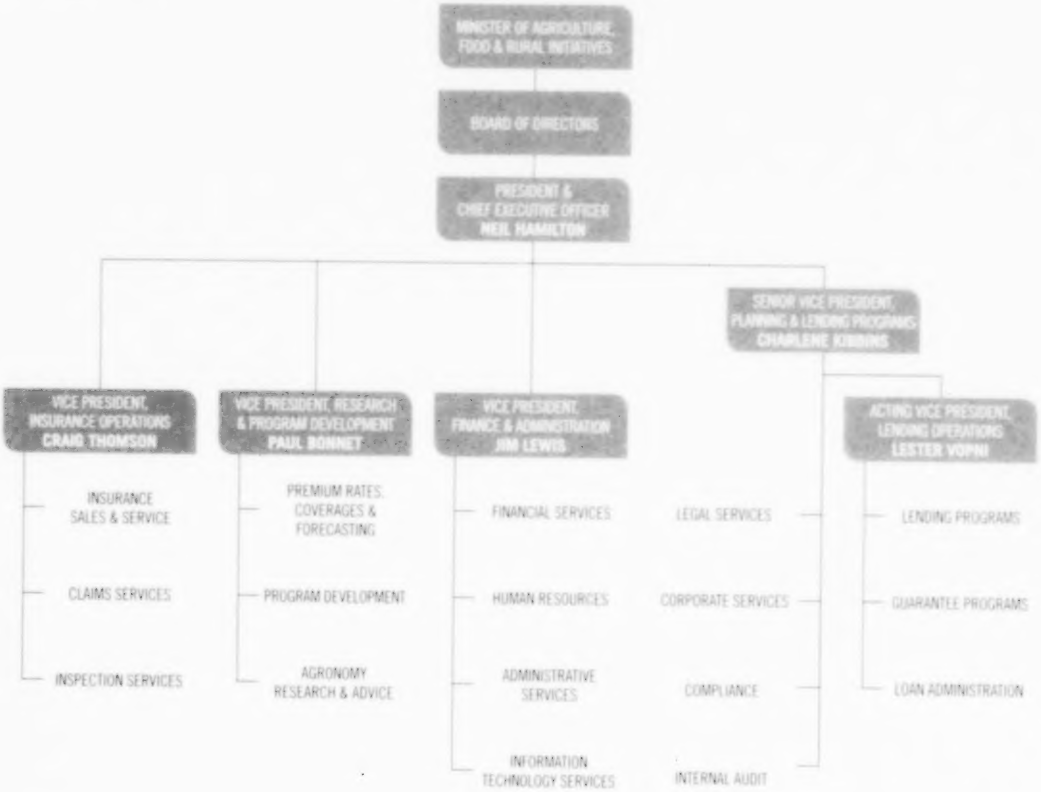
A three-member independent Appeal Tribunal hears disputes between insured producers and MASC, respecting MASC's assessment of insurance loss or damage. The Tribunal's decisions are final and binding on both parties.

With direction from the Manitoba Government's initiatives under *The Sustainable Development Act* of 1997, MASC encourages and facilitates day-to-day business practices that reduce, reuse, recycle and recover resources. MASC actively promotes teleconferencing and the use of recycled paper, and has recently started to migrate its document libraries to a digital format.

ORGANIZATION CHART

Manitoba Agricultural Services Corporation

As of March 31, 2009:



STRATEGIC PLAN REVIEW

MASC's vision of a strong rural Manitoba [illegible] goals, as identified in MASC's Strategic Plan [illegible] implemented in 2008/09, and the [illegible] identified are considered to be [illegible] day-to-day operations.

Goal: Provide Superior Customer Service and Product Awareness

- Online filings of Harvested Production Reports increased by 33% in 2008, moving the total completed online to 12%.
- The Continuous Hail Insurance Option, which was targeted for a 10% increase in 2008/09, exceeded expectations with a rise of 17% for a total of 1,729 producers participating.
- MASC approved $40.3 million in direct loans to hog producers through the Manitoba Hog Assistance Loan Program.
- A new Board Producer Relations Committee was established to assist the Board with issues concerning producers and producer groups.

Goal: Develop Cutting Edge Products and Services

- MASC's Board of Directors and staff met with 12 producer groups for the purpose of discussing how existing programs can be improved and new initiatives developed, with specific proposals being recommended for inclusion in the Manitoba Government's 2009/10 budget.
- MASC was actively involved in the design and development of AgriInsurance programs as part of the Federal-Provincial Growing Forward framework agreement.
- Lending limits and the net worth cap on Direct Loans were increased to keep pace with the rising costs of land, buildings, and other production inputs.
- The Operating Credit Guarantee, which provides producers with a 25% guarantee on operating lines of credit from private lending institutions, was made a permanent part of MASC's programming.
- In response to reduced livestock feed supplies as a result of heavy rainfall in the Interlake and Westlake areas of Manitoba in 2008, MASC administered several emergency initiatives to assist livestock producers, including the Manitoba Forage Assistance, Manitoba Livestock Feed Assistance and Manitoba Forage Restoration Assistance programs.
- MASC continued to assist Manitoba Agriculture, Food and Rural Initiatives with the Safe Farms Check Program by providing inspections of on-farm safety protocols, with associated interest reductions on MASC loans to young farmers.

Goal: Continually Improve Business Processes

- The computer system associated with assessing hail claims was re-written in 2008 to incorporate new software and reduce information technology maintenance time.
- To improve accuracy and turnaround times, the number of laptops used for hail claim adjusting was increased from 35 to 50, with 65% of claims for the year being completed using this technology.
- Modifications were made to computer programming associated with the post-harvest claim adjusting project, in order to reduce claim processing time.
- MASC released a new lending client information system, providing staff with enhanced ways of accessing a wider range of client-related data.
- MASC's internal auditing staff completed a review of the Excess Moisture Insurance claim process; enhanced MASC's corporate risk assessment profile; commenced a review of the loan approval process; and consulted on the development of MASC's Privacy Framework.
- MASC's website was re-designed to more effectively convey information. All pages are now based on a common template, with additional components built-in that permit simplified data updates and the accumulation of aggregated user statistics.
- An IT Strategic Plan that outlines MASC's roadmap for the implementation of computer technology was developed and approved.
- MASC's 'Infonet', an internal information system, was launched to allow corporate networking, centralized document storage, online viewing of manuals and collaborative document creation.
- Improved computer backup systems were established to significantly shorten recovery time in the event of an IT disaster.
- Office renovations in Portage la Prairie, Brandon (IT), and the Sanford field office were completed.

Goal: Foster Employee Initiative and Career Satisfaction

- The staff performance evaluation system was retooled for implementation in 2009.
- A Staff Relations Committee, comprised of volunteers representing all areas of MASC, was established to provide a vehicle for open and effective staff relations.
- Several Human Resources operational policies, including leave-of-absence, workplace safety & health and respectful workplace, were developed and implemented.
- A newly created Managers Committee was established to enhance corporate communication and awareness, foster leadership and initiative, and provide a forum for corporate input on issues and opportunities of relevance to MASC.

PERFORMANCE INDICATORS

AgriInsurance

Insurance on annual crops and forages increased by about 300,000 acres in 2008/09, to slightly over the budgeted amount of 9.2 million acres. The average coverage level, which was budgeted to remain unchanged at 75.4%, increased slightly to 75.9%, while total liability was up 36% from the previous year at $1.79 billion, slightly over the budget of $1.75 billion.

Due to favourable growing conditions across most of Manitoba, total indemnities of $59 million (5,861 claims) were significantly below the 2008/09 break-even budgeted amount of $164 million.

Hail Insurance

Hail Insurance participation increased to 4.6 million acres (from 4.1 million), with liability increasing to over $640 million (from $477 million), exceeding the acreage and liability targets by 12% and 34%, respectively.

Hail losses for the year were just over $9.2 million, considerably below the break-even budgeted amount of $12.4 million.

Loans

In 2008/09, MASC approved 728 loans totalling $100.1 million, which is relatively unchanged in terms of loan numbers, but $36.9 million (58%) higher in dollar amount. The target for the year was 734 loans totalling $59.9 million.

The increase in loan amounts was due to $40.3 million in emergency hog assistance loans, which were not budgeted. If not for these hog loans, MASC would have ended the 2008/09 year at roughly the budgeted amount.

Loan Guarantees

During 2008/09, MASC approved 276 guarantees on loans totalling $86.9 million, roughly unchanged from the previous year. The target for the year was 346 guarantees on loans totalling $118.0 million. The target was not achieved due to a significant reduction in Enhanced Diversification Loan Guarantee requests caused by the current financial downturn in the hog industry.

Administration

MASC's overall administrative expenses for 2008/09 totalled $20.4 million, which was $0.7 million under budget. The variance was mainly due to lower than expected AgriInsurance and Hail Insurance claims and administrative expenses for the Manitoba Hog Assistance Loan Program.

CURRENT PROGRAMS

Agriculture is vital to Manitoba's economy and essential to the social fabric of rural areas. Through financial and risk management programming, MASC contributes to the growth, development and sustainability of a strong rural Manitoba.

MASC's insurance programs offer protection against losses due to natural perils for a wide range of cereals, oilseeds, special crops and forages. Our financial products have a broad scope, including loans and loan guarantees that assist producers and rural entrepreneurs in developing, diversifying and expanding their farms and rural businesses.

In addition to established programming, MASC is entrusted to deliver efficient and effective emergency assistance programming on behalf of the Governments of Manitoba and Canada.

Insurance

MASC administers two major insurance programs: AgriInsurance and Hail Insurance, which provide producers a single source of crop production risk management. Insurance programs are ongoing, with additions and enhancements being made based on input from producers and producer groups, priorities established by MASC's Board of Directors and staff, and direction provided by the Manitoba Government.

AgriInsurance

AgriInsurance (formerly known as 'Production Insurance') provides protection against crop production and quality losses caused by natural perils, including drought, excess moisture (rainfall or flood), frost, hail, fire, excess heat, wind, wildlife, disease and pests. Losses that are within a producer's control are not covered. AgriInsurance provides insurance for 60 different crops, forages during the establishment stage, and the inability to seed in the spring due to wet conditions.

Producers can select coverage levels of 50, 70, or 80%. Coverage levels can be varied by crop, with the option of completely excluding a crop from insurance. Insured coverage (liability) is based on a producer's expected (probable) yield, multiplied by the selected coverage level, multiplied by the number of insured acres. If harvested production (adjusted for quality loss) falls below coverage, the producer is paid an indemnity equal to the production shortfall multiplied by the insured dollar value. To compensate insured producers for early crop losses that require a crop to be reseeded, a reseed benefit is provided as part of basic coverage.

Producers have the option of insuring all of their eligible crops under Crop Coverage Plus, which pays an indemnity if the combined production of all crops falls short of the whole farm guarantee. Depending on a producer's mix of crops, Crop Coverage Plus can provide whole farm coverage of up to 90% for the same premium cost as 80% crop-specific coverage.

Excess Moisture Insurance (EMI), a basic feature of Manitoba's AgriInsurance Program, provides insurance for land that is too wet to seed. Producers with an active AgriInsurance contract automatically receive EMI on all land intended for spring seeding. A producer who is unable to seed insured land by June 20 due to wet conditions is paid compensation of $50 per eligible acre, subject to the applicable deductible (a zero deductible option is also available). Additional protection of $15 per acre is available through the EMI 'buy-up' option. The forage restoration benefit provides protection similar to EMI for tame hay and forage seed crops that are destroyed due to excess moisture.

The Fall Frost Insurance pilot program, available in four test areas, gives producers added protection against early fall frosts. If temperatures drop to -2°C or lower at least two weeks prior to normal for the specified weather station, the producer is paid an indemnity.

For producers with tame hay insurance, pasture insurance is available based on the producer's type and number of livestock. A producer's tame hay yield is used as a proxy for estimating pasture grazing capacity, and any pasture insurance payment is based solely on their tame hay payout percentage.

The Pasture Drought Insurance pilot program, available in six test areas, is available for producers wanting protection against pasture production losses caused by lack of rainfall. Under this program, producers are paid an indemnity when growing season rainfall amounts to less than 80% of normal at a specified weather station.

Insurance is also available for the establishment of eligible forage crops. Spot-loss compensation is provided when a crop fails to establish in the year the crop is seeded due to natural perils.

Vegetable Acreage Loss Insurance provides commercial vegetable producers with protection against crop losses that are severe enough to warrant the crop or a portion thereof being worked down.

Commercial strawberry and saskatoon growers are able to protect themselves against losses in the establishment period. Growers are eligible for compensation when plant losses exceed 20% of the total stand.

For insurance purposes, MASC divides the province into 15 areas of similar crop protection risk. These 'risk areas' form the geographic basis for the determination of insurance coverages (liabilities) and premiums. The probable yields used to determine coverages are individualized, based on either a producer's relative yield history (compared to the area average), or solely on a producer's individual yield history.

For most AgriInsurance programs, premiums are paid 40% by insured producers, 36% by the Government of Canada and 24% by the Government of Manitoba. Exceptions are: basic Excess Moisture Insurance (EMI), which has no producer premium, with premiums being shared 60% by Canada and 40% by Manitoba; the Fall Frost Insurance pilot program, with premiums paid 67% by participating producers, 20% by Canada and 13% by Manitoba; and the EMI zero deductible option, in which premiums are paid entirely by participating producers. Administrative expenses for the AgriInsurance Program are shared 60% by Canada and 40% by Manitoba.

For 2008/09, the AgriInsurance loss ratio (loss as a percentage of total premium) was 30%. Loss ratios by crop are listed in Table 1.

Spring soil moisture was below average in all parts of southern Manitoba in 2008/09, except the southeast where soil moisture was high. Well below average temperatures during early spring resulted in a considerable acreage of winter wheat having to be reseeded due to winter kill. Temperatures in May and June were significantly below normal, which delayed early crop development. A widespread frost in late May damaged a significant amount of emerged canola, resulting in many reseeding claims. Moderate temperatures in July enabled many crops to flower and set seed without significant stress. The cooler than normal growing season led to concerns about the maturity of long season crops, but this concern proved to be unwarranted, as the first killing fall frost didn't occur until October.

Figure 1 shows the major causes of loss in 2008/09, as well as the historical average. Causes of loss in 2008/09 were varied, with the most significant losses caused by excess moisture (41%), drought and heat (14%), frost (13%), and winter kill (11%). Despite too much summer rain in the Interlake and not enough in the Southwest, Manitoba producers generally harvested above average yields in 2008/09. Unfortunately, many cereal crops were downgraded due to Fusarium Head Blight. Heading into winter, soil moisture was average to above average in most areas of Manitoba, and well above average in the Red River Valley, Interlake and West Lake areas.

In summary, a total of 9.2 million acres were protected by AgriInsurance in 2008/09, which was similar to the previous year. Total premiums were $196.2 million on $1.79 billion of coverage (liability). Indemnity payments for the year totalled $59.0 million. Figure 2 shows how 2008/09 premiums and indemnities compare to the previous four years.

It is noted that the estimate of indemnities payable at March 31, 2008 was overstated by $1.2 million and when applied to the 2008/09 indemnities, brings the net indemnities paid for the year to $57.8 million. After accounting for interest revenue of $6.2 million and reinsurance premiums of $31.2 million, the AgriInsurance net income for 2008/09 was $111.8 million. This resulted in the AgriInsurance reserve increasing from $221.3 million to $333.1 million.

FIGURE 1 – AgriInsurance Causes of Loss

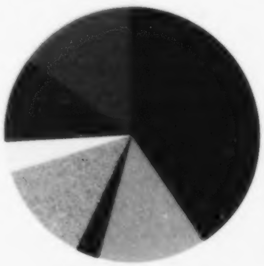


FIGURE 2 – AgriInsurance Premiums and Indemnities ($ Millions)

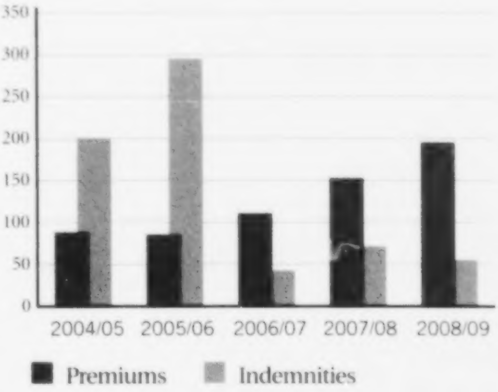


TABLE 1 – Summary of 2008/09 AgriInsurance By Crop

CROP	ACRES INSURED	COVERAGE (000)	TOTAL PREMIUM (000)	INDEMNITIES (000)	LOSS RATIO (%)
Red Spring Wheat	2,165,856	$365,804.7	$31,261.0	$6,491.0	21
Durum Wheat	11,791	2,605.9	318.1	603.2	190
Extra Strong Wheat	5,948	911.7	120.8	128.6	107
Prairie Spring Wheat	35,689	5,986.3	739.4	69.3	9
Hard White Wheat	59,849	10,963.7	1,099.5	391.1	36
Feed Wheat	40,579	5,837.2	706.7	98.2	14
Winter Wheat	589,690	116,048.2	12,568.8	10,130.4	81
Barley	656,498	97,440.2	8,815.3	3,735.7	42
Oats	733,192	111,541.2	12,030.3	3,152.0	26
Mixed Grain	6,320	621.5	84.0	19.6	23
Fall Rye	51,316	5,342.6	633.3	303.3	48
Triticale	2,002	150.0	16.6	21.5	130
Canola	2,905,138	628,483.2	58,916.0	15,518.9	26
Flax	255,228	44,189.8	4,802.2	1,436.0	30
Mustard	8,606	1,663.5	310.1	138.4	45
Oil Sunflowers	71,359	16,242.5	2,127.8	1,129.6	53
Non Oil Sunflowers	110,134	31,261.2	5,537.3	2,192.5	40
Buckwheat	3,321	286.4	86.9	30.2	35
Grain Corn	199,619	60,754.5	12,004.7	323.8	3
Silage Corn	50,731	13,726.3	1,197.4	1,048.7	88
Potatoes	65,216	92,395.9	5,851.1	128.3	2
Vegetables *	1,181	3,001.2	159.3	74.8	47
Field Peas	95,399	13,260.9	1,425.1	539.3	38
Lentils	90	8.7	3.8	-	0
Fababeans	5,798	894.8	168.6	8.1	5
Dry Edible Beans *	138,573	47,613.5	8,309.9	1,560.9	19
Soybeans	298,479	56,317.8	10,612.4	380.9	4
Tame Hay *	419,119	29,283.2	3,176.3	2,228.8	70
Pasture	-	3,130.2	360.1	347.0	96
Pasture Drought Program	-	206.0	15.5	36.6	236
Native Hay	23,757	625.8	150.2	432.1	288
Forage Establishment	98,735	3,473.3	625.2	153.8	25
Strawberry Establishment	-	17.3	1.1	-	0
Saskatoon Establishment	-	59.5	3.2	-	0
Pedigreed Timothy Seed	16,638	1,565.7	254.1	110.2	43
Alfalfa Seed	20,909	3,384.9	672.6	1,660.5	247
Canaryseed	13,598	2,427.9	343.4	108.8	32
Annual Ryegrass Seed	1,693	236.4	36.8	10.2	28
Perennial Ryegrass Seed	27,500	5,445.4	880.2	40.9	5
Proso Millet Seed	3,326	493.0	81.1	174.5	215
Tall Fescue Seed	3,233	555.8	108.2	135.3	125
Hemp Grain	1,395	220.3	44.2	30.8	70
Greenfeed	50,733	4,110.8	638.8	576.2	90
Open Pollinated Corn	377	42.9	8.6	10.8	126
Fall Frost Program	-	336.2	27.5	-	0
Estimate of Incomplete Claims	-	-	-	2,437.8	0
Subtotal	9,248,615	$1,788,968.0	$187,333.5	$58,148.6	31
Excess Moisture Insurance	8,131,547	410,801.3	8,858.7	833.9	9
Total			$196,192.2	$58,982.5	30

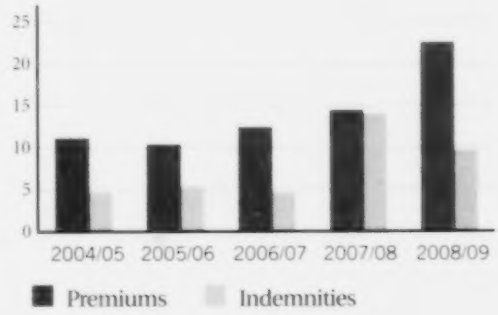
* Dry edible beans includes white pea, pinto, black, kidney, cranberry, small red and other dry edible beans.
Tame hay includes alfalfa, alfalfa /grass mixtures, grasses and sweet clover.
Vegetables includes carrots, cooking onions, rutabagas and parsnips and the Vegetable Acreage Loss Program.

A separate policy covering spot-loss hail damage is available to producers who participate in AgriInsurance. Producer premiums fund all Hail Insurance costs, including administrative expenses. Premium rates are determined based on AgriInsurance risk areas, rather than by township as is done by private insurers. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending on the crop. Hail Insurance also provides coverage for loss due to accidental fire.

In 2008/09, MASC insured 4.6 million acres for a total coverage (liability) of $640.5 million. Premiums prior to discounts were $22.8 million, with indemnities of $9.9 million, resulting in a loss ratio (loss as a percentage of premium) of 43%. Figure 3 provides a summary of Hail Insurance premiums and indemnities for the past five years.

After accounting for interest revenue of $1.1 million, reinsurance premium of $1.4 million and administrative expenses of $2.6 million, Hail Insurance had a net income for the year of $9.2 million. As a result, the Hail Insurance reserve increased from $31.7 million to $40.9 million.

The Continuous Hail Insurance Option (CHIO) was added in 2007/08, allowing producers to automatically insure all eligible crops without an annual application. Now in its second year, CHIO continues to be very well accepted, with 1,729 producers (36% of all hail contracts) participating.



AgriInsurance					
Number of producer contracts	10,654	10,395	10,225	9,893	9,737
Insured acres (millions)	8.7	7.9	9.0	9.0	9.2
Total coverage (liability) ($ millions)	1,111.2	969.7	1,029.3	1,319.1	1,789.0
Producer premiums ($ millions)	30.9	31.4	46.6	58.9	76.6
Total premiums ($ millions)	85.1	81.1	117.4	151.0	196.2
Average coverage level selected (%)	73.9	74.7	75.4	75.4	75.9
Number of claims paid	13,706	19,186	7,596	8,177	5,861
Indemnities paid ($ millions)	200.4	296.2	42.0	73.9	59.0
Income (loss) for the year ($ millions)	(87.4)	(134.1)	60.4	62.1	111.8
Funds retained, end of the year ($ millions)	233.0	98.8	159.2	221.3	333.1
Indemnities to total premium ratio (%)	236	365	36	48	30
Indemnities to coverage ratio (%)	18	31	4	6	3
Hail Insurance					
Number of producer contracts	3,753	3,425	3,895	4,468	4,757
Insured acres (millions)	2.8	2.6	3.3	4.1	4.6
Total coverage (liability) ($ millions)	309.9	285.1	363.9	476.8	640.5
Premiums, prior to discounts ($ millions)	11.4	10.4	12.5	14.8	22.8
Number of claims paid	1,098	1,241	1,110	2,448	1,919
Indemnities paid ($ millions)	4.8	5.2	4.8	14.4	9.9
Income (loss) for the year ($ millions)	4.4	3.4	6.2	(2.1)	9.2
Funds retained, end of the year ($ millions)	24.2	27.6	33.8	31.7	40.9
Indemnities to premium ratio (%)	42	50	38	97	43

Note: The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2008/09 financial statements.

Lending

The objective of MASC's lending programs is to give Manitoba's agricultural producers and rural businesses reasonable access to credit. In support of Manitoba Government initiatives, MASC provides direct financing to rural Manitobans, and works with private lenders to guarantee financing for the creation, growth and expansion of operations in rural Manitoba.

The **Bridging Generations Initiative** supports young farmers under the age of 40, and assists in the inter-generational transfer of assets through flexible financing options, the Young Farmer Rebate and Management Training Credits.

In 2008/09, MASC issued 235 loans totalling $26.6 million to producers under the age of 40. This business accounted for 79% of MASC's total Direct Loans.

The **Young Farmer Rebate** (YFR) reduces the cost of borrowing in the critical start-up phase of an operation. The YFR provides an annual rebate of 2% on the first $150,000 of principal, and is available for the first five years of the loan, resulting in a lifetime maximum rebate of $15,000. In 2008/09, the YFR on MASC loans totalled $1.6 million.

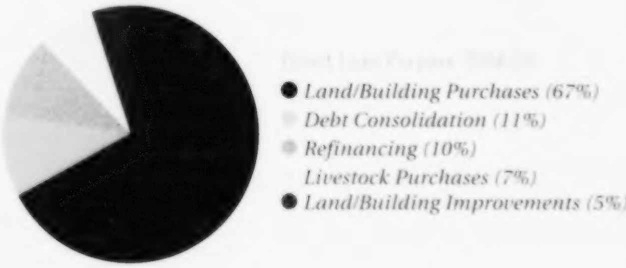
Flexible financing options offered under the Bridging Generations Initiative give young farmers a choice between 90% financing or five years of interest-only payments, allowing them the flexibility of reducing their initial down payment or their operation's cash flow pressure during its start-up phase. In 2008/09, a total of 28 producers took advantage of these options.

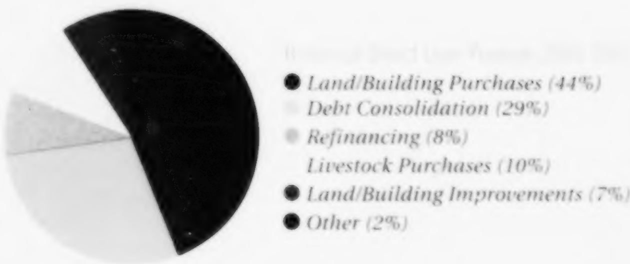
Young farmers can earn an annual **Management Training Credit** (MTC) of 1% of the principal amount of an eligible Direct Loan (to a maximum of $2,500) in each of the first five years of the loan. Eligible Direct Loans include financing for the purpose of purchasing land, entire farm operations, breeding livestock and permanent improvements to farm buildings. In 2008/09, young farmers earned MTCs totalling $165,000.

MASC offers eligible retiring farmers the **Bridging Generations Mortgage Guarantee** of up to $250,000 when they sell operations to young farmers. MASC guarantees the mortgage payments that are agreed to between the seller and buyer. MASC currently has two Bridging Generations Mortgage Guarantees.

MASC provides short, intermediate and long-term financing at reasonable interest rates to eligible Manitoba agricultural producers and rural businesses. Clients are not penalized for prepayment, and have the flexibility of either locking in an interest rate for the full amortization period or selecting five-year renewable interest rates. As shown in Table 3, as of March 31, 2009 MASC had 5,817 outstanding loans, with current balances totalling $342.2 million.

Direct Loans are available for purposes of purchasing land, constructing or renovating farm production buildings, purchasing breeding livestock, constructing or renovating farm homes, purchasing supply management quota, and consolidating and refinancing debts. In 2008/09, 297 new loans were approved for a total of $31.5 million. The total Direct Loan portfolio as of March 31, 2009 was $228.6 million (3,590 loans). As shown in Figure 4, in 2008/09 Direct Loans were issued predominantly for purchasing land (67%), consolidating debt (11%) and refinancing (10%).





Direct Loans	348	$36.1	297	$31.5	3,590	$228.6
Environmental Enhancement Loans	5	0.2	-	-	3	0.2
Alternate Energy Loans	-	-	2	0.9	2	0.5
Stocker Loans	290	17.1	206	14.9	230	11.8
Comprehensive Refinancing Loans	49	3.7	101	7.2	256	18.2
Manitoba Hog Assistance Loans	32	6.1	120	40.3	151	39.9
BSE Recovery Loans	-	-	-	-	1,323	40.5
Enhanced Flood Proofing Assistance Loans[1]	-	-	-	-	91	0.3
Producer Recovery Loans[1]	-	-	-	-	168	1.5
Enterprise Development Loans	-	-	2	5.3	3	0.7
Total	**724**	**$63.2**	**728**	**$100.1**	**5,817**	**$342.2**

1 Prior programming for which outstanding loans are still being administered.

Environmental Enhancement Loans provide financial assistance to producers for the purpose of enhancing the environmental sustainability of their operations and management practices. The Environmental Enhancement Loans portfolio as of March 31, 2009 was $0.2 million (three loans), with a number of future projects under discussion.

Alternate Energy Loans provide financing for the construction, equipment, and other approved capital costs associated with projects including, but not limited to, ethanol, bio-diesel and wind energy. In 2008/09, two loans were approved for $0.9 million. The total Alternate Energy Loan portfolio as of March 31, 2009 was $0.5 million (two loans).

Stocker Loans provide short-term financing to producers for the purpose of purchasing feeder cattle or retaining owned calves for feeding. Due to depressed market conditions, poor feeding margins and producers taking advantage of the federal government's Advance Payment Program for livestock, MASC issued 206 Stocker Loans in 2008/09 (down 29% from the prior year), for a total of $14.9 million covering over 31,000 head of cattle.

Comprehensive Refinancing Loans assist existing MASC clients in financial difficulty by offering loans with an interest rate set at one-half a percentage point below MASC's prevailing five-year rate for the first five years of the loan. In 2008/09, refinancing loan activity doubled, with 101 loans being issued for a total of $7.2 million. These loans were primarily disbursed to producers in the excessively wet Interlake region and to livestock producers across the province who are dealing with a depressed economic situation. As of March 31, 2009, the total Comprehensive Refinancing Loan portfolio totalled $18.2 million (256 loans).

Manitoba Hog Assistance Loans were introduced in February 2008 to provide weanling and slaughter hog producers with cash flow assistance for losses suffered on sales between October 2007 and May 2008. A total of 32 loans for $6.1 million were approved in the final months of 2007/08, with an additional 120 loans for a total of $40.3 million being approved in 2008/09. As of March 31, 2009, the Manitoba Hog Assistance Loan portfolio was $39.9 million (151 loans).

BSE Recovery Loans were introduced in August 2003 to provide financial assistance to Manitoba ruminant producers suffering the economic impact of Bovine Spongiform Encephalopathy (BSE). A deferral of principal payments for three years was offered in February 2008 to BSE Recovery Loan clients in good standing. Since the program was introduced, a total of 1,815 BSE Recovery Loans have been approved for $70.2 million. As of March 31, 2009, the BSE Recovery Loan portfolio was $40.5 million (1,323 loans).

Enterprise Development Loans were introduced in 2008/09 to provide financial assistance to rural economic enterprises in support of the Manitoba Government's initiatives to develop and diversify the rural economy. In 2008/09, MASC approved two loans for $5.3 million, with $4.7 million not disbursed at year end. As of March 31, 2009, the Enterprise Development Loan portfolio was three loans for $0.7 million.

Property Management

As a result of debt settlement negotiations and foreclosure proceedings, MASC periodically acquires title to property. MASC's policy is to return the property to the producer wherever possible, by either selling or leasing. During 2008/09, MASC sold 1,994 acres and acquired 872 acres of property, leaving an inventory of 3,674 acres as of March 31, 2009. This is down 31% from the 4,796 acres of property that were held in inventory at the end of 2007/08.

TABLE 4 – Loan Guarantee Summary

	APPROVALS 2007/08		APPROVALS 2008/09		OUTSTANDING RELATED LOANS BY LENDING INSTITUTIONS AS OF MARCH 31, 2009		OUTSTANDING GUARANTEES AS OF MARCH 31, 2009
	No.	M	No.	M	No.	M	M
Enhanced Diversification Loan Guarantees[1]	22	$19.1	12	$11.6	203	$253.5[2]	$63.4
Operating Credit Guarantees	198	38.3	208	49.8	196	44.6[2]	11.2
Manitoba Livestock Associations Loan Guarantees	10	22.7	10	20.9	10	20.9[2]	5.2
Rural Entrepreneur Assistance	63	6.9	46	4.6	170	10.7[3]	9.5[4]
Total	**293**	**$87.0**	**276**	**$86.9**	**579**	**$329.7**	**$89.3**

1 Outstanding loans from the original Diversification Loan Guarantee Program are included.

2 Represents the original loan amounts that were guaranteed under the program and remain in place as of March 31, 2009.

3 The outstanding related loan amounts represent the present loan balances for participating lending institutions associated with the guarantees administered by MASC.

4 The Province of Manitoba's contingent liability is $9.5 million.

Loan Guarantees

MASC guarantees various types of loans made by qualified lending institutions. In partnership with credit unions, caisse populaires and certain chartered banks, MASC helps to provide rural Manitobans with access to credit that otherwise would not exist, thereby providing agricultural producers and rural entrepreneurs with opportunities to develop and expand their operations. MASC's loan guarantees encourage financing in areas that the private sector generally considers to be higher risk.

As shown in Table 4, as of March 31, 2009, MASC had outstanding guarantees of $89.3 million on 579 loans on outstanding related loans by participating lenders totalling $329.7 million.

Enhanced Diversification Loan Guarantees assist producers and agricultural enterprises in diversifying their operations and/or adding value to agricultural commodities. MASC provides a 25% guarantee of the principal amount of the loan made by a participating lender. In 2008/09, MASC approved 12 Enhanced Diversification Loan Guarantees for a total of $11.6 million. As of March 31, 2009, MASC had 203 active guarantees on outstanding related loans by participating lenders totalling $253.5 million.

Operating Credit Guarantees assist producers in obtaining lines of credit with reasonable terms. MASC's 25% guarantee makes operating lines of credit available that otherwise would not be offered by private lending institutions. In 2008/09, MASC provided 208 Operating Credit Guarantees on lines of credit totalling $49.8 million. As of March 31, 2009, MASC had 196 active guarantees on related lines of credit from participating lenders totalling $44.6 million.

Manitoba Livestock Associations Loan Guarantees provide producers who are members of livestock associations with the benefit of lower costs through volume purchases of cattle and financing. MASC guarantees 25% of the loan made to a livestock association by a participating lender. Livestock associations are limited to a maximum guarantee of $1.25 million, with a related maximum loan of $5 million. As of March 31, 2009, activity remained steady compared to the previous year, with guarantees on loans of $20.9 million to 10 associations (with a total of 111 members with active contracts).

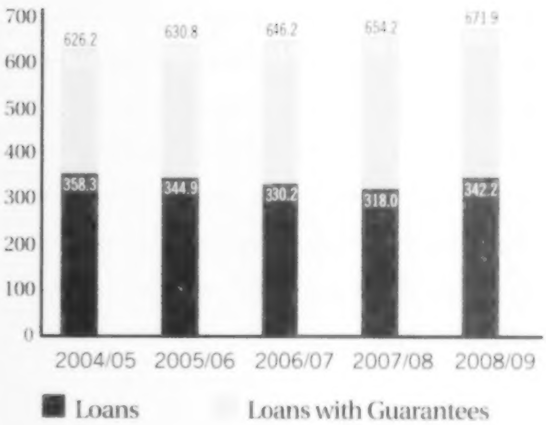
Rural Entrepreneur Assistance (REA) provides a guarantee of up to 80% on loans made by participating lenders to full-time, small and home-based businesses in rural Manitoba. Loans guaranteed through REA are limited to $200,000. In 2008/09, MASC approved 46 REA guarantees on loans totalling $4.6 million. As of March 31, 2009, MASC had 170 active guarantees with outstanding related loans by participating lenders of $10.7 million. When REA administration was transferred to MASC in 2005/06, the Manitoba Government agreed to retain the contingent liability associated with existing and future REA loan guarantees, which as of March 31, 2009 was $9.5 million.

Grains/Oilseeds	43.1	-	51.8	-	36.3
Potatoes	0.4	-	13.4	5.4	1.5
Other Crops	2.6	-	4.0	0.4	2.3
Cattle	37.3	100.0	16.7	0.3	32.0
Hogs	13.2	-	10.6	48.0	18.2
Poultry	0.1	-	1.2	6.8	1.1
Dairy	1.0	-	0.5	21.2	4.0
Other	2.3	-	1.8	17.9	4.6
	100.0	100.0	100.0	100.0	100.0
Share of All Programs (%)	81.1	1.2	2.7	15.0	100.0

* Previous Diversification Loan Guarantees are included.

Notes:

1. The table does not include Enterprise Development Loans, Enhanced Flood Proofing Assistance Loans and Rural Entrepreneur Assistance.
2. In the case of guarantee programs, this table includes only MASC's contingent liability, rather than the loan activity generated by the guarantees.



Other Initiatives

MASC has extensive experience in designing, administering and delivering support programs for Manitoba producers on behalf of the governments of Canada and Manitoba. In 2008/09, MASC continued to administer ongoing support programs, but also assisted in the design and delivery of several emergency assistance (ad hoc) programs that arose from difficult market and weather conditions over the past year.

The Wildlife Damage Compensation Program reduces financial losses incurred by producers due to damage caused by livestock predators, big game and migratory waterfowl. Assuming a producer has taken reasonable steps to prevent wildlife damage and predator attacks, the program compensates for 80% of the producer's lost production. Program payments and administration are funded by the governments of Canada (60%) and Manitoba (40%).

In 2008/09, Wildlife Damage Compensation Program payments and related administrative expenses totalled $3.0 million, a 20% increase from the previous year. Table 6 shows specific details for the program.

Big Game	607	631	$952.0	$1,230.6	$177.6	$208.1	$1,129.6	$1,438.7
Waterfowl	258	363	490.3	845.9	64.3	86.6	554.6	932.5
Livestock Predation	1,766	1,637	530.9	445.2	164.7	163.5	695.6	608.7
Total	2,631	2,631	$1,973.2	$2,521.7	$406.6	$458.2	$2,379.8	$2,979.9

MASC assumed responsibility for administrating the Manitoba Government's Farmland School Tax Rebate Program in 2005. For 2008, the rebate was 70% (up from 65% in 2007) of the school tax paid on Manitoba farmland, with the Manitoba Government paying the full cost of the program. Farmland owners have three years to apply for the rebate. As of March 31, 2009, MASC had disbursed 2008 rebates to 30,851 applicants for a total of $27.0 million. Details are provided in Table 7.

2005	50%	37,094	$18.4
2006	60%	35,759	$24.4
2007	65%	34,377	$26.8
2008	70%	30,851	$27.0

In 2004/05, MASC (on behalf of Manitoba Agriculture, Food and Rural Initiatives) assumed responsibility for the administration of the Manitoba Agriculture Weather Service Consortium. Funded by the Canada-Manitoba Agri-Food Research and Development Initiative, the project's goal is to establish a network of weather stations to provide online access to weather-related data. In 2008/09, a total of $137,315 was spent on this program. With MAFRI assuming administration of this program, as of March 31, 2009 MASC's involvement has ended.

MASC has been responsible for the administration of ALUS since 2005/06. The goal of ALUS is to test and evaluate the concept of paying producers for land management practices determined to produce or maintain environmental benefits. Funding for producer payments and administration in 2008/09 was provided to MASC by the Keystone Agricultural Producers. The Advancing Canadian Agriculture and Agri-Food Program, the Manitoba Government's

Covering New Ground Program and Delta Waterfowl were the original funding sources for ALUS. In 2008/09, the final year of MASC's involvement in this program, a total of $288,380 was spent on producer payments, with an additional $16,865 in administrative expenses.

Assiniboine Valley Producers Flood Assistance Program

In May 2007, MASC assumed responsibility for administrating the Assiniboine Valley Producers Flood Assistance Program, which provides compensation payments to producers affected by flooding along the Assiniboine River due to a combination of unexpected rainfall and the operation of the Shellmouth Dam. In 2008/09, compensation of $228,194 for losses occurring in 2007 and $16,474 in administrative expenses were paid by the Manitoba Government.

Safe Farms Check Program

MASC, in partnership with Manitoba Agriculture, Food and Rural Initiatives, began a two-year pilot program in March 2008 to provide an incentive for enhancing on-farm safety. A total of 60 young farmers who are participants in the Bridging Generations Initiative are eligible for an interest rate reduction of one percentage point per year on their MASC loan (to an annual maximum of $1,500), with all costs paid by the Manitoba Government. From 80 initial applicants, 60 were accepted, with 54 of those being trained in safe work procedures. In 2008/09, a total of $26,231 in interest reductions was earned by the 23 producers who completed the requirements of the program.

Young Farmer Crop Plan Credit

The Young Farmer Crop Plan Credit was initiated in 2007/08 as a three-year pilot program. Young farmers (under the age of 40) who complete an annual cropping plan that is acceptable to their Manitoba Agriculture, Food and Rural Initiatives Farm Production Advisor can earn an annual credit of $200 against their AgriInsurance premium. In 2008/09, 102 young farmers qualified for credits totalling $20,400. The full cost of this program was paid by the Manitoba Government.

Manitoba Ruminant Assistance Program

In March 2008, MASC was given the responsibility to administer the Manitoba Ruminant Assistance Program, which assists livestock producers affected by a dramatic rise in feed costs and a decline in market prices. Eligible producers received a direct payment of 3% of the higher of their 2005 or 2006 net sales of ruminant livestock, with a maximum payment cap of $90,000. In 2008/09, compensation payments totalled $12.4 million, with administrative expenses of $169,945. The full cost of this program was paid by the Manitoba Government.

MASC administers the Manitoba Bovine TB Mustering Compensation Program, which compensates producers in the Riding Mountain TB Eradication Area for costs incurred in gathering livestock for TB testing. In 2008/09, there was a total of $235,446 in payments, with administrative expenses of $10,100. The full cost of this program was paid by the Manitoba Government.

Introduced in September 2008, this program provides assistance to producers who had to transport feed or livestock due to excessive moisture and drought conditions in 2008. In 2008/09, total program payments are estimated at $1.8 million with $200,000 for administrative expenses. This program is funded by the governments of Canada (60%) and Manitoba (40%).

Unveiled early in 2009, the Manitoba Livestock Feed Assistance Program provides assistance to livestock producers in the Interlake and Westlake regions who are short of hay and grain due to excessive moisture conditions in 2008. In 2008/09, $14.8 million in program payments and $400,000 in administrative expenses was accrued for payment in 2009/10. This program is funded by the governments of Canada (60%) and Manitoba (40%).

Introduced in early 2009, the Manitoba Forage Restoration Assistance Program helps Manitoba forage producers in the Interlake and Westlake areas restore forage crops damaged by excess moisture in 2008. In 2008/09, $9.9 million in program payments and $400,000 for administrative expenses was accrued for payment in 2009/10. This program is funded by the governments of Canada (60%) and Manitoba (40%).

From 1974 to 1977, the former Manitoba Agricultural Credit Corporation had a program whereby farmland was purchased from willing sellers and leased to qualifying producers. As of March 31, 2009, 12 long-term leases covering 3,519 acres remain in place.

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. In 2008/09, MASC conducted stored grain audits for cash advances issued by the Canadian Wheat Board; assessed crop losses due to windmill construction and maintenance; certified that the products sold at the St. Norbert Farmers market had been produced locally; assessed third-party crop loss appraisals for private sector property insurers; and conducted livestock inspections for the Manitoba Livestock Cash Advance Program. A total of $152,102 in revenue was generated by these services in 2008/09.


MASC
Manitoba Agricultural Services Corporation
FINANCIAL STATEMENTS

Manitoba Agricultural Services Corporation

Responsibility for Financial Statements

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Neil Hamilton
President & Chief Executive Officer

June 23, 2009

Jim Lewis
Vice President,
Finance & Administration

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the balance sheet of the Manitoba Agricultural Services Corporation as at March 31, 2009, the statements of operations and funds retained and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 23, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 **office:** (204) 945-3790 **fax:** (204) 945-2169
www.oag.mb.ca

CONSOLIDATED BALANCE SHEET

as at March 31, 2009 (in thousands)

		2009		2008
ASSETS				
Cash	$	2,764	$	1,619
Investments *(Notes 4(B) & 8)*		380,982		268,158
Accounts receivable *(Note 9)*		52,169		37,973
Prepaid expenses		99		100
Loans receivable *(Note 10)*		309,477		288,769
Real estate		501		758
Property and equipment *(Note 13)*		272		290
	$	746,264	$	597,667
LIABILITIES AND FUNDS RETAINED				
Reinsurance premiums payable *(Notes 14 & 15)*	$	6,265	$	4,435
Claims payable *(Note 16)*		35,566		29,230
Accounts payable and accrued liabilities *(Note 17)*		13,811		12,588
Provision for losses on guaranteed loans *(Note 23)*		15,146		13,240
Advances from the Province of Manitoba *(Note 19)*		346,394		324,698
Deferred revenue *(Note 20)*		272		290
Funds retained		328,810		213,186
	$	746,264	$	597,667

Approved by the Board:

John S. Plohman

John S. Plohman
Chair

Frieda Krpan
Vice Chair

CONSOLIDATED STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2009 (in thousands)

		2009		2008
REVENUE:				
Insurance premiums				
Insured producers	$	98,588	$	73,235
Government of Canada		71,769		55,225
Province of Manitoba		47,846		36,815
		218,203		165,275
Interest from loans		20,385		20,453
Other contributions – Government of Canada		24,605		7,609
Other contributions – Province of Manitoba		45,513		55,392
Investment income		7,624		10,449
Real estate and other income		824		681
Reinsurance recoveries *(Notes 14 & 15)*		(138)		-
Total revenue		317,016		259,859
EXPENSES:				
Insurance indemnities and compensation payments *(Note 21)*		70,272		88,829
Reinsurance premiums *(Notes 14 & 15)*		33,494		25,232
Interest on borrowed funds		17,709		18,574
Provision for credit losses *(Note 12)*		3,778		116
Provision for guaranteed loan losses *(Note 23)*		2,286		1,131
Young farmer incentives		1,825		1,737
Loan interest concession *(Note 11)*		1,716		221
Farmland school tax rebates		25,121		29,199
Other program payments		24,766		16,528
Administrative expenses *(Schedule 1)*		20,425		18,785
Total expenses		201,392		200,352
Net income and comprehensive income for the year		115,624		59,507
Funds retained, beginning of year		213,186		153,679
Funds retained, end of year *(Schedule 2)*	$	328,810	$	213,186

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2009 (in thousands)

		2009		2008
Cash provided by (used for)				
Operating activities				
Net income and comprehensive income for the year				
Income before investment income	$	108,000	$	49,058
Investment income		7,624		10,449
		115,624		59,507
Items not involving cash				
Change in provisions and allowances		4,134		465
Loan interest concession		1,469		221
Gain on disposal of real estate		(133)		(70)
Amortization of property and equipment		94		94
Loans disbursed		(94,201)		(69,541)
Loan principal received		69,556		81,372
Changes in:				
Accounts receivable		(14,660)		(15,331)
Prepaid expenses		1		(7)
Loans receivable		420		353
Reinsurance premiums payable		1,830		1,379
Claims payable		6,336		16,819
Accounts payable and accrued liabilities		1,507		1,266
Deferred revenue		(18)		(15)
Cash provided by operating activities		91,959		76,512
Investing activities				
Sale of investments		34,821		27,771
Net proceeds on sale of real estate		390		132
Purchase of property & equipment		(76)		(79)
Cash provided by investing activities		35,135		27,824
Financing activities				
Advances borrowed from (repaid to) the Province of Manitoba		21,696		(1,780)
Cash provided by (used for) financing activities		21,696		(1,780)
Net increase in cash and equivalents		148,790		102,556
Cash and equivalents, beginning of year		196,544		93,988
Cash and equivalents, end of year	$	345,334	$	196,544
Cash and equivalents comprised of the following:				
Investments	$	380,982	$	268,158
Investments with terms greater than 90 days		(38,412)		(73,233)
Investments with terms of 90 days or less		342,570		194,925
Cash		2,764		1,619
	$	345,334	$	196,544

NOTES TO FINANCIAL STATEMENTS

as at March 31, 2009 (tabular amounts in thousands of dollars)

1. Authority And Purpose

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgriInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program and other programs and services for the agricultural industry.

2. Basis Of Reporting

MASC's financial statements are presented in accordance with Canadian generally accepted accounting principles.

3. Changes In Accounting Policies

On April 1, 2008, MASC adopted three new sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook, namely: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation. Section 3862 and 3863 consist of a comprehensive series of disclosures and presentation requirements applicable to financial instruments. They revise and enhance the disclosure requirements set out in Section 3861, Financial Instruments – Disclosure and Presentation, and carry forward unchanged its presentation requirements. Section 1535 consists of comprehensive disclosure requirements related to MASC's objectives, policies and processes for managing capital including required disclosures of externally imposed capital requirements.

The application of the aforementioned standards only impacted MASC's disclosures included in the financial statements.

4. Significant Accounting Policies

(A) Programs

Under the provisions of the applicable legislation, MASC delivers lending, insurance and other programs and services. For financial accounting purposes, all programs are treated as separate operations and are accounted for separately.

(B) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*.

(C) Property and Equipment and Amortization

Property and equipment are reported at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful life, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Software Development	8 years
Leasehold Improvements	remaining term of lease

(D) Pensions

MASC employees are pensionable under *The Civil Service Superannuation Act.*

Effective April 1, 1998, the former Manitoba Crop Insurance Corporation (MCIC) became a fully funded matching employer. Upon the formation of the Manitoba Agricultural Services Corporation (MASC), the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC.

Prior to amalgamation, the Manitoba Agricultural Credit Corporation (MACC) did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by former MACC employees prior to the amalgamation on September 1, 2005, that includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 9). Details of the provision for the pension benefits are outlined in Note 18. Actuarial gains (losses) are recorded in the statement of operations in the fiscal year the actuarial valuation is completed.

As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation. MASC's matching contributions for 2008/09 totalled $637,724.

(E) Vacation and Severance Pay

MASC employees are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on MASC's best estimate. Actuarial gains (losses) on severance pay are recorded in the statement of operations in the fiscal year the actuarial valuation is completed.

(F) Provision for Losses on Loans and Loan Guarantees

The provision for loan losses is determined annually, through a review of individual accounts. The provision represents management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions.

The provisions for losses on loan guarantees are determined annually by a review of each guarantee program. The provisions represent management's best estimate of probable claims against the guarantees. Such provisions are intended to cover principal; accrued and unpaid interest; and any additional amounts that are recoverable by the lender.

Current year provisions for losses on loans and loan guarantees are charged as expenses to provision for credit losses and provision for guaranteed loan losses, respectively. Actual loan accounts that have been written off and guaranteed claims paid are charged to the appropriate provision once all security has been realized and all other collection efforts have been exhausted.

(G) Real Estate Acquired in Settlement of Loans

Real estate that is acquired through foreclosure and voluntary transfers of titles in the settlement of loans is recorded at the lower of the recorded value of the loan or the appraised value of the real estate at acquisition date. Real estate is reported net of a provision for a decline in real estate values.

(H) Real Estate Under Long-Term Lease

Real estate that was acquired for the purpose of providing long-term leases to producers through the Land Lease Program is recorded at cost.

(I) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgriInsurance Agreement, which is consolidated in Annex B of "Growing Forward: A Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy", provides for the cost sharing of AgriInsurance premiums. Premiums for standard crop loss programs are shared between insured producers (40%), the Government of Canada (36%) and the Province of Manitoba (24%).

In addition to the general premium sharing noted above, alternative premium sharing arrangements apply for basic Excess Moisture Insurance (EMI), the EMI Zero Deductible Option and the Fall Frost Insurance pilot program.

(J) Administrative Expenses

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The AgriInsurance Agreement referred to in Section (I) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(K) Use of Estimates

Preparing MASC's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results may differ from these estimates. Significant estimates are made by management in the following balances: accounts receivable, loans receivable, claims payable, accounts payable and the provision for losses on guaranteed loans.

(L) Financial Instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and MASC's designation of such instruments.

Classifications
MASC has designated its financial instruments as follows:

Held for trading:	Cash
Held to maturity:	Investments
Loans and receivables:	Accounts receivable
	Loans receivable
Other liabilities:	Reinsurance premiums payable
	Claims payable
	Accounts payable and accrued liabilities
	Advances from the Province of Manitoba
	Provision for losses on guaranteed loans

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Held to maturity
Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

MASC uses the effective interest method to recognize interest income or expense which includes discounts recognized on loans with concessionary terms. Transaction costs related to all financial instruments are expensed as incurred.

Fair Value of Financial Instruments
Certain financial instruments are valued at cost, with adjustments for any applicable allowance for doubtful accounts. This applies to investments, accounts receivable (excluding receivables related to pension and severance pay liabilities), reinsurance premiums payable, claims payable, accounts payable and accrued liabilities (excluding pension and severance pay liabilities). Cost approximates fair market value for these instruments due to their short-term nature.

The carrying values of MASC's pension and severance pay liabilities are based on actuarial valuations adjusted over time for the effect of interest and payouts since the valuations were performed. The carrying value of these liabilities approximates their fair values as the interest component is comparable to current market rates. The carrying values of the related pension and severance receivables approximates their fair values as their carrying values are derived from the related pension and severance liabilities.

Differences between the book value and the fair value of loans receivable and advances from the Province of Manitoba are caused by deviations between the interest rate at the time of the original loan and the current interest rate for the same loan product.

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm's length willing parties, MASC normally holds all of its loans receivable and amounts received from the Province of Manitoba to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in interest rates and may not be indicative of net realizable value. Furthermore, as many of MASC's financial instruments lack an available trading market, the fair value of loans with fixed rates are estimated using a discounted cash flow model with discount rates that are based on current market interest rates for similar types of loans. For loans receivable, the discount rate is MASC's current lending rates for similar loan products, and for advances from the Province of Manitoba, MASC's current borrowing rate for similar loan products is used.

The fair value of the provision for losses on guaranteed loans has also been calculated using a discounted cash flow model using the current Bank of Canada Treasury Bill rate as the discount rate.

The book values and the fair values for each category of financial instruments are presented in the table that follows:

	AS AT MARCH 31, 2009			AS AT MARCH 31, 2008		
	FINANCIAL ASSETS/ LIABILITIES AT COST OR AMORTIZED COST	ESTIMATED FAIR VALUE	FAIR VALUE GREATER (LESS THAN) BOOK VALUE	FINANCIAL ASSETS/ LIABILITIES AT COST OR AMORTIZED COST	ESTIMATED FAIR VALUE	FAIR VALUE GREATER (LESS THAN) BOOK VALUE
Financial assets:						
Loans receivable	$ 342,211	$ 373,236	$ 31,025	$ 317,986	$ 340,975	$ 22,989
Financial liabilities:						
Advances from the Province of Manitoba	346,394	365,661	19,267	324,698	347,863	23,165
Provision for losses on guaranteed loans	$ 15,146	$ 14,580	$ (566)	$ 13,240	$ 11,460	$ (1,780)

5. Wildlife Damage Compensation Program

MASC administers the Wildlife Damage Compensation Program, which pays producers for 80% of damage to agricultural crops and related products caused by waterfowl or wildlife (big game animals), and the injury or death of domestic livestock caused by natural predators. Compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%).

6. Farmland School Tax Rebate Program

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate of 70% of the school tax paid on farmland in 2008. The rebate was increased from 65% in 2007. The program provides a three-year time frame for claiming rebates. Recorded rebate payments of $25,121,000 include a provision of $3,154,000 for 2008 rebates that had not yet been applied for and a reduction in the amount of prior year provisions of $5,082,000. A provision of $1,142,000 remains for prior year rebates that remain unclaimed. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

7. Other Programs

Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost (i.e. on a breakeven basis). These services encompass: grain audits for cash advances issued by the Canadian Wheat Board, field inspections in support of the ALUS Program, production loss assessments for windmill construction and maintenance, certificates of local production for vendors at the St. Norbert Farmers Market, third-party loss appraisals for private sector property insurers, and on farm livestock inspections for the Manitoba Livestock Cash Advance Program. Such services totalled $152,100 in 2008/09.

Manitoba Agriculture Weather Service Consortium

In March 2005, MASC became responsible for the administration of the Manitoba Agriculture Weather Service Consortium. The purpose of this initiative is to establish a network of weather stations, which will provide the regional weather data that is required to forecast pest and plant disease outbreaks and moisture conditions for crop production. A total of $137,000 in administrative expenses was incurred for the year ended March 31, 2009 (2008 – $216,000). Funding for this project was provided to MASC by the Manitoba Association of Agricultural Societies.

ALUS – An Ecological Goods and Services Research Project – Manitoba

In December 2005, MASC became responsible for the administration of ALUS (Alternative Land Use Services) which is a pilot project in the RM of Blanshard. The goal of the project is to test and evaluate the concept of paying producers for specified land management practices that are determined to produce/ maintain environmental benefits. Producer payments and administrative expenses totalled $288,000 (2008 - $298,000) and $17,000 (2008 - $24,000), respectively. Funding was provided by Keystone Agricultural Producers (KAP).

Assiniboine Valley Producers Flood Assistance Program

In May 2007, MASC became responsible for the administration of the Assiniboine Valley Producers Flood Assistance Program. The purpose of the program is to provide assistance to agricultural producers along the Assiniboine River between the Shellmouth Reservoir and Brandon, for flood losses starting in 2005 that are attributable to the interaction of unexpected rainfall and the operation of the Shellmouth dam. At March 31, 2008, $1,827,000 was expensed as an estimate of the total cost of this program. Actual costs were determined to be $1,649,000 ($1,583,000 in program payments and $66,000 in administrative expenses). This resulted in a net recovery of $178,000 for the year ended March 31, 2009. Program funding was provided by the Manitoba Government.

Manitoba Ruminant Assistance Program

In March 2008, MASC became responsible for the administration of the Manitoba Ruminant Assistance Program. The program is being funded by the Government of Manitoba for the purpose of providing short-term financial assistance to Manitoba ruminant producers to help sustain the livestock industry during a period of high feed costs and weak market prices. Program payments are based on the higher of a participant's 2005 or 2006 eligible net sales of ruminant livestock. A provision of $14,700,000 was accrued at March 31, 2008 for the estimated cost of the program. Actual compensation payments and administrative expenses were $12,405,000 and $170,000, respectively; for a total cost of $12,575,000. This resulted in a net recovery of $2,125,000 for the year ended March 31, 2009.

Manitoba Bovine TB Mustering Compensation Program

In April 2008, MASC became responsible for the administration of the Manitoba Bovine TB Mustering Compensation Program. The program is being funded by the Government of Manitoba for the purpose of providing for the cost of gathering animals for the Canadian Food Inspection Agency (CFIA) testing for bovine tuberculosis (TB). Starting in 2006, compensation payments totalled $235,400 with administrative expenses of $10,000 to March 31, 2009.

Manitoba Forage Assistance Program

In September 2008, MASC became responsible for the administration of the Manitoba Forage Assistance Program. The purpose of the program is to provide financial assistance for the transport of feed and livestock for farmers affected by excess moisture and drought conditions. Funding is provided 60% by the Government of Canada and 40% by the Province of Manitoba (as an AgriRecovery initiative). Recorded program payments of $1,800,000 include a provision for remaining payments of $760,000. Recorded administrative expenses of $200,000 include a provision of $112,000 for the processing of the remaining payments.

Manitoba Livestock Feed Assistance Program

In March 2009, MASC became responsible for the administration of the Manitoba Livestock Feed Assistance Program. The purpose of the program is to provide assistance to livestock producers in the Interlake/Westlake area who were short of feed due to excess moisture conditions in 2008. Funding is provided 60% by the Government of Canada and 40% by the Province of Manitoba (as an AgriRecovery initiative). A provision of $15,200,000 has been set up, comprised of $14,800,000 for program payments and $400,000 for administrative expenses.

Manitoba Forage Restoration Assistance Program

In March 2009, MASC became responsible for the administration of the Manitoba Forage Restoration Assistance Program. The purpose of the program is to provide assistance to forage producers in the Interlake/Westlake area in order to restore forage crops damaged by excess moisture in 2008. Funding is provided 60% by the Government of Canada and 40% by the Province of Manitoba (as an AgriRecovery initiative). A provision of $10,284,000 has been set up, comprised of $9,884,000 for program payments and $400,000 for administrative expenses.

8. Investments

MASC's investments as of March 31, 2009 consist of the following:

INVESTMENT MATURITY TERMS	AVERAGE INTEREST RATE	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2009 TOTAL	2008 TOTAL
1 year	0.652%	$ 6,935	331,892	32,456	2,138	261	$ 373,682	$ 258,158
2 years	3.874%	–	–	2,700	–	–	2,700	2,700
3 years	4.180%	–	–	1,500	–	–	1,500	2,700
4 years	4.474%	–	–	3,100	–	–	3,100	1,500
5 years	–	–	–	–	–	–	–	3,100
	0.720%	$ 6,935	331,892	39,756	2,138	261	$ 380,982	$ 268,158

9. Accounts Receivable

MASC's accounts receivable as of March 31, 2009 consist of the following:

	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2009 TOTAL	2008 TOTAL
Insured producers	$ –	3,200	1,147	–	–	$ 4,347	$ 2,138
Government of Canada	–	7,381	–	–	16,379	23,760	4,691
Province of Manitoba	5,917	4,933	–	2,108	10,537	23,495	29,675
Accrued investment interest	8	232	158	3	–	401	1,225
Reinsurance receivable	–	11	–	–	–	11	149
Other	21	134	–	–	–	155	95
	$ 5,946	15,891	1,305	2,111	26,916	$ 52,169	$ 37,973

Receivables from the Province of Manitoba related to:

Pension liability

The Province of Manitoba has accepted responsibility for funding the Manitoba Agricultural Services Corporation's pension liability (for pensionable service earned by employees of the former Manitoba Agricultural Credit Corporation prior to amalgamation on September 1, 2005) and related expense which includes an interest component. The Manitoba Agricultural Services Corporation has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $5,917,000 as of March 31, 2009 (2008 – $6,212,000), and has recorded a reduction in revenue for 2008/09 equal to the related pension expense reduction of $295,000 (2008 – increase of $428,000). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

The carrying value of the receivable approximates its fair value as the interest component described above is comparable to current market rates.

Vacation pay liability

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to the Manitoba Agricultural Services Corporation, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2009 the receivable for vacation pay liability was $169,000 (2008 – $169,000).

Severance pay liability

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to the Manitoba Agricultural Services Corporation an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2009, the receivable for severance pay liability was $429,000 (2008 – $429,000).

The carrying value of the receivable approximates its fair value as the interest component described above is comparable to current market rates.

10. Loans Receivable

MASC's loans receivable as of March 31, 2009 consist of the following:

		2009			2008
		REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	TOTAL
Amounts are due over the following terms:					
1 year	Accrued interest	$ 7,176	$ 1,628	$ 8,804	$ 9,215
	Arrears	7,512	5,072	12,584	13,957
	Prepayments	(6,899)	(841)	(7,740)	(8,888)
	Regular instalments	27,214	7,587	34,801	41,728
		35,003	13,446	48,449	56,012
2 years	Regular instalments	18,041	7,223	25,264	30,429
3 years	Regular instalments	17,195	8,712	25,907	29,603
4 years	Regular instalments	16,773	14,922	31,695	20,460
5 years	Regular instalments	16,178	15,374	31,552	19,205
Over 5 years	Regular instalments	138,568	40,776	179,344	162,277
		241,758	100,453	342,211	317,986
Less: Unamortized discount on loans with concessionary interest rates			1,690	1,690	221
		241,758	98,763	340,521	317,765
Less: Provisions for impaired loans *(Note 10)*		13,033	18,011	31,044	28,996
		$ 228,725	$ 80,752	$ 309,477	$ 288,769

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

A portion of the loans receivable will be paid through funding for the Young Farmer Rebate (YFR) Program that is provided by the Province of Manitoba. Clients earn the rebate in equal payments over the first five years of the loan. Over the next five years, YFR will provide approximately $5.7 million in payments towards the loan receivable balance.

Terms of Loans Receivable

All loans have fixed rates, with an interest rate breakdown as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
2.0% and lower	$ 100	$ 3,090	$ 3,190	$ 386
2.01% to 3.0%	-	30,828	30,828	5,286
3.01% to 4.0%	2,318	4,199	6,517	1,017
4.01% to 5.0%	3,286	6,283	9,569	5,470
5.01% to 6.0%	23,267	37,173	60,440	56,657
6.01% to 7.0%	162,399	18,546	180,945	184,283
7.01% to 8.0%	47,682	324	48,006	60,901
More than 8.0%	2,706	10	2,716	3,986
Average rate is 5.995%	$ 241,758	$ 100,453	$ 342,211	$317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

Loans maturities are as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Less than 5 years	$ 37,482	$ 28,891	$ 66,373	$ 85,991
5 years to up to 10 years	49,759	59,768	109,527	75,012
10 years to up to 15 years	71,132	6,769	77,901	78,250
15 years to up to 20 years	61,242	4,653	65,895	58,194
20 years to up to 25 years	22,143	372	22,515	20,539
	$ 241,758	$ 100,453	$ 342,211	$317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

Impaired Loans

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table below provides the amount of impaired loans and the specific provisions for credit losses on these loans as of March 31, 2009.

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Total loans	$ 18,671	$ 15,216	$ 33,887	$ 38,483
Less: Specific provision	6,191	7,931	14,122	13,940
	$ 12,480	$ 7,285	$ 19,765	$ 24,543

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans

A total of $2,086,000 (2008 – $2,380,000) of interest on impaired loans was included in revenue for the year ended March 31, 2009.

Loans Receivable by Economic Sector

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Grains and oilseeds	$ 131,216	$ 15,882	$ 147,098	$ 138,458
Potatoes	556	694	1,250	1,289
Other crops	8,405	394	8,799	9,520
Cattle	83,942	43,354	127,296	144,690
Hogs	6,901	38,189	45,090	13,024
Poultry	55	51	106	652
Dairy	3,148	406	3,554	3,899
Other	7,535	1,483	9,018	6,454
	$ 241,758	$ 100,453	$ 342,211	$ 317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

11. Unamortized Discount On Loans With Concessionary Interest

Loans receivable includes loans made under the Manitoba Hog Assistance Loan Program implemented in February 2008, which have an interest concession for the first three years of the eight year amortization period. Interest rates are 2.25% (with an additional 1% discount for young farmers under 40 years of age) for the first year, rising to 4.5% (with the additional 1% discount, if applicable, carried forward) for the next two years. The full amount of the net present value of the interest concessions was expensed when the loans were disbursed and is recorded as interest revenue over the term of the interest concession. The portfolio balance was $39,861,000 on March 31, 2009 and a present value discount of $1,690,000 (net of amortization for interest write-back) for the loan interest concessions was applied, reducing the carrying value of the portfolio to $38,171,000. The present value discount of $1,690,000 is the net of the total loan interest concession expense of $1,937,000 (2009 – $1,716,000 and 2008 – $221,000) less the present value discount amortization of $247,000 which was included in interest revenue as of March 31, 2009.

12. Provisions For Credit Losses

The provision for credit losses for the lending program consists of:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Specific provision	$ 6,191	$ 7,931	$ 14,122	$ 13,940
General provision	6,842	10,080	16,922	15,056
Ending provision balance	$ 13,033	$ 18,011	$ 31,044	$ 28,996

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans

The expense for the provision of credit losses of $3,778,000 (2008 – $116,000) is made up of $3,286,000 (2008 – $15,000) for lending programs and a total of $492,000 (2008 - $101,000) for the AgriInsurance and Hail Insurance programs. The change in the provision for credit losses for the lending program is as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Beginning provision balance	$ 14,615	$ 14,381	$ 28,996	$ 29,751
Loans written off	(926)	(312)	(1,238)	(770)
Provision expense (recovery)	(656)	3,942	3,286	15
Ending provision balance	$ 13,033	$ 18,011	$ 31,044	$ 28,996

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

Loans Past Due But Not Impaired

Loans that are past due but not impaired are generally loans where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the less than 1 year category is generally only one payment in arrears. Two payments in arrears put the loan in the second category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of their term, which is generally one year. Any delay in the sale of the cattle at the end of the term may put the loan in arrears; however these loans are normally paid in full once the cattle are sold.

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009
Less than 1 year in arrears	$ 4,862	$ 3,680	$ 8,542
1 to 2 years in arrears	3,487	3,319	6,806
Over 2 years in arrears	310	358	668
Total past due	$ 8,659	$ 7,357	$ 16,016

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

13. Property And Equipment

	2009		2008	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Furniture and equipment	$ 342	$ 213	$ 344	$ 194
Computer hardware	214	151	325	242
Computer software	195	157	189	132
Major software development	2,907	2,907	2,907	2,907
Leasehold improvements	344	302	298	298
	$ 4,002	$ 3,730	$ 4,063	$ 3,773
Net book value		$ 272		$ 290

14. Reinsurance – AgriInsurance Program

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgriInsurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. Surpluses in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively.

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2009	2008	2009	2008
Opening surplus (deficit)	$ 2,174	$ 1,419	$ 24,193	$ 23,438
Current year premium contributions (net)*	978	755	978	755
Net book value	$ 3,152	$ 2,174	$ 25,171	$ 24,193

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts of $6,000 (2008-$3,000).

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers. The private sector reinsurance agreement involves 24 reinsuring companies assuming 90% of losses (including a deemed loss adjustment expense) from 15.0% to 27.5% of AgriInsurance liability (coverage). Reinsurance premiums were $30,171,000 (2008 – $22,701,000). Private sector reinsurance recoveries were $138,000 (2008 – nil), which was for outstanding prior year claims.

15. Reinsurance – Hail Insurance Program

Starting in 2007/08, MASC entered into a three-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involves eight reinsuring companies assuming 80% of hail insurance losses (including actual loss adjustment expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were $1,361,000 (2008 - $1,022,000) with no reinsurance recoveries in 2009 (2008 – nil).

16. Claims Payable

Claims payable of $35,566,000 (2008 – $29,230,000) includes: a provision of $3,530,000 (2008 – $3,184,000) for the AgriInsurance Program, which represents the liability associated with unpaid claims and the over-winter deterioration of unharvested crops; a provision of $4,297,000 (2008 – $9,823,000) for outstanding Farmland School Tax Rebate payments; a provision of $539,000 (2008 - $276,000) for the Wildlife Damage Compensation Program, and provisions of $25,678,000 (2008 – $14,946,000) for outstanding payments for Other Programs. Of the $25,678,000 in Other Programs claims payable, $25,444,000 relates to the three AgriRecovery initiatives that are outlined at the end of Note 7.

17. Accounts Payable And Accrued Liabilities

Accounts payable at March 31, 2009 include the following:

	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	WILDLIFE DAMAGE COMPENSATION PROGRAM	OTHER PROGRAMS	2009 TOTAL	2008 TOTAL
Province of Manitoba	$ 105	1,581	-	77	$ 1,763	$ 1,623
Accrued vacation pay	-	1,027	-	-	1,027	917
Provision for pension obligations *(Note 18)*	5,917	18	-	-	5,935	6,225
Provision for severance obligations	-	2,036	-	-	2,036	1,656
Other	441	1,650	29	930	3,050	2,167
	$ 6,463	6,312	29	1,007	$ 13,811	$ 12,588

18. Provision For Employee Pension Benefits

MASC's employees are eligible for defined benefit pensions under The Civil Service Superannuation Act. As outlined in Note 4(D), MASC contributes 50% of the pension disbursements made to retired employees of the former Manitoba Agricultural Credit Corporation (MACC) for service up to September 1, 2005. In addition, MASC has a pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2007 was conducted by Ellement & Ellement. The key actuarial assumptions were a rate of return of 6.50% (2004 – 6.50%), inflation of 2.5% (2004 – 2.5%), salary rate increases of 3.25% (2004 – 3.25%) and post retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2009 using a formula provided by the actuary. The following table provides the calculation of the liability for pension benefits of $5,935,000 (2008 – $6,225,000):

	2009	2008
Accrued pension liability – beginning of year	$ 6,225	$ 6,124
Experience gain	(439)	
Benefits accrued	4	3
Interest accrued on benefits	398	429
Benefits paid	(253)	(331)
Accrued pension liability – end of year	$ 5,935	$ 6,225

19. Advances From The Province Of Manitoba

Following practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the semi-annual, non-callable Province of Manitoba bond rate for a bond with the same term to maturity.

Advances are repayable in equal annual blended instalments of principal and interest, with interest rates ranging from 1% to 8%. The average interest rate of the entire portfolio as of March 31, 2009 was 4.973% (2008 – 5.394%).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2009	2008
1 year	$ 72,790	$ 63,566
2 years	44,547	41,455
3 years	44,554	38,327
4 years	40,486	38,106
5 years	29,016	33,800
More than 5 years	115,001	109,444
	$ 346,394	$ 324,698

20. Deferred Revenue

Deferred revenue represents administrative subsidies provided by the Government of Canada and the Province of Manitoba and is used to acquire property and equipment. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

21. Indemnities

AgriInsurance indemnities of $57,834,000 (2008 – $72,433,000) represent $58,982,000 for the 2008/09 crop year and a reduction of $1,148,000 as a result of an excess in the estimate of claims payable as of March 31, 2008.

22. Contractual Obligations

MASC has entered into a number of long-term lease agreements. The minimum payments under these leases are as follows:

YEAR ENDING MARCH 31ST	LEASE AGREEMENT AMOUNTS
2010	$ 122
2011	56
2012	15
2013 and beyond	-
	$ 193

23. Loan Guarantees And Contingencies

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2009 are shown below.

	CONTINGENT LIABILITY		PROVISION FOR LOSSES	
	2009	2008	2009	2008
Operating Credit Guarantees	$ 11,156	$ 10,197	$ 1,343	$ 1,629
Manitoba Livestock Associations Loan Guarantees	5,234	5,671	1,308	1,418
Diversification Loan Guarantees	5,254	6,245	788	1,060
Enhanced Diversification Loan Guarantees	58,116	59,551	11,707	9,133
	$ 79,760	$ 81,664	$ 15,146	$ 13,240

The change in the provision for guaranteed loan losses is as follows:

	2009	2008
Beginning provision balance	$ 13,240	$ 12,244
Guaranteed loan claims paid (net)	(302)	-
Provision expense	2,208	996
Ending provision balance	$ 15,146	$ 13,240

Rural Entrepreneur Assistance (REA) guaranteed loan claims of $78,000 (2008 – $135,000) were added to the $2,208,000 (2008 – $996,000) in provision expense for a total cost of $2,286,000 (2008 – $1,131,000). (When REA administration was transferred to MASC in 2005, the Manitoba Government agreed to maintain the contingent liability associated with existing and future REA loan guarantees. Therefore, MASC's expenditure for REA is the guaranteed loan claims that are paid by MASC and subsequently recovered from the Province of Manitoba.)

The Operating Credit Guarantee (OCG) Program was introduced on April 1, 2003, replacing the Guaranteed Operating Loan Program. The OCG provides participating lending institutions with a guarantee of 25% of each individual loan made under the program. The maximum allowable loan is $450,000 for individuals, and $700,000 available for partnerships, corporations and co-operatives.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each association, MASC provides a 25% guarantee to an association's lending institution with a maximum of $5,000,000 in loans for each association.

The Diversification Loan Guarantee Program was introduced in December 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the private lender's total associated loan portfolio was guaranteed. The maximum allowable individual loan was $3.0 million.

In 2001, the Diversification Loan Guarantee Program was replaced by the Enhanced Diversification Loan Guarantee Program. Under the new program, guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

(B) As of March 31, 2009, MASC had approved but not disbursed loans in the amount of $22,179,566 (2008 – $15,520,963).

(C) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

24. Capital Management

MASC's objective when managing capital is to maintain sufficient funds to cover current and future insurance and lending related cash outflows, and to fund its other initiatives. MASC's capital consists of its funds retained.

MASC meets its capital objectives through revenues taken in, grants, and advances from the Province of Manitoba and the Government of Canada. *The Manitoba Agricultural Services Corporation Act* establishes MASC's borrowing authority, based on the approval of the Lieutenant Governor in Council.

MASC is not subject to externally imposed capital requirements, however for the AgriInsurance Program, MASC must meet the financial self-sustaining criteria defined by the Government of Canada in its related regulations. The current financial self-sustaining criteria requires that premiums be set so that the AgriInsurance Program can recover from a defined worst case deficit within a specified number of years. MASC's most recent actuarial review (Note 26) indicates that the program meets the financial self-sustaining criteria.

There were no changes in MASC's approach to capital management during the period.

25. Risk Management

Financial instruments comprise the majority of MASC's assets and liabilities. For its lending operations, MASC borrows from the Province of Manitoba at fixed rates and then provides fixed term loans to its clients at rates that earn a reasonable interest rate margin. For its insurance operations, MASC invests the programs' funds retained mainly in short term funds, in order to have sufficient capital available to make insurance payments when losses exceed the current year's premium income.

MASC's risk management policies are designed to identify and analyse risk, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible to ensure that the policies are properly carried out. The Board receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by the internal audit department.

MASC has exposure to the following risks from it use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject MASC to credit risk consist principally of investments, accounts receivable, loans receivable and guarantees on loans.

The maximum exposure of MASC to credit risk at March 31, 2009 is:

Investments	$ 380,982
Accounts receivable	52,169
Loans receivable	309,477
Loan guarantees	79,760
	$ 822,388

Investments – MASC is not exposed to significant credit risk as the investments are held by the Province of Manitoba.

Accounts Receivable – MASC is not exposed to significant credit risk as 91% of the accounts receivable is comprised of amounts receivable from the Government of Canada and the Province of Manitoba and payment in full is typically collected when it is due. The remainder of the accounts receivable consists largely of insurance premiums due from producers. The insurance programs offer credit for producer premiums which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year. March 31 is the final payment deadline. Producers who have not made acceptable arrangements to pay will have their contracts cancelled for the following year. The importance of insurance programs to an ongoing farming operation serves to mitigate the credit risk on insurance premiums.

Loans Receivable – Impairment provisions are provided for losses that have been incurred as of the balance sheet date. Significant changes in the agricultural economy of Manitoba or deterioration in sectors which represent a concentration within the loan portfolio may result in losses that are different from those provided for at the balance sheet date. Management of credit risk is an integral part of MASC's activities and is monitored and managed carefully.

The Board of Directors is responsible for approving and monitoring MASC's tolerance for credit exposures which it does through review and approval of the lending and guarantee program guidelines and setting limits on credit exposures to individual clients. MASC has comprehensive policy and procedure manuals in place for all programs.

In general, MASC emphasizes responsible lending which is comprised of a combination of adequate loan security and a client's ability to pay. MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Government of Manitoba which fall outside the normal limits set out in the regular loan policies. These special assistance loans have a provision for credit losses that is established at the inception of the program which represents a best estimate of probable losses. In addition, an increased level of monitoring is carried out in an effort to mitigate losses. Special assistance loans make up 29% of the MASC's lending portfolio.

MASC's lending exposure to the various agricultural sectors, as provided in Note 10, is summarized as follows:

Grains/oilseeds	43%
Cattle	37%
Hogs	13%
Dairy	7%
	100%

The Province of Manitoba provides funding for the full amount of loans that are written off; therefore, the risk to MASC is minimal.

Loan Guarantees – MASC also provides loan guarantees to financial institutions. These guarantees encourage the provision of credit that the private lenders consider to be higher risk. Each guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves three separate programs: Livestock Associations Guarantees directed at the cattle industry; and Operating Credit Guarantees (OCG) and Diversification Loan Guarantees (DLG) which are generally available to Manitoba's agricultural industry. MASC's loan guarantee exposure by agricultural sector is summarized below:

	DLG	**OCG**
Grains/oilseeds	-	52%
Cattle	-	17%
Hogs	48%	11%
Dairy	21%	-
Poultry	7%	1%
Potatoes	5%	13%
Other	19%	6%
	100%	100%

The Province of Manitoba provides funding for all claims on loan guarantees; therefore, the risk to MASC is minimal.

Liquidity Risk

Liquidity risk relates to MASC's ability to access sufficient funds to meet its financial commitments as they fall due.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Subsequently, MASC has minimal liquidity risk relating to MASC's lending portfolio and its relation to the advances from the Province of Manitoba.

MASC's primary liquidity risk relates to its liability for insurance claims. MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance claims payments are funded firstly out of current revenue, which normally exceeds cash requirements. In addition, insurance program funds are retained and invested in short-term investments that are available to pay excess claims. Private sector reinsurance is in place for AgriInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance Program has a reinsurance agreement with the Government of Canada and the Province of Manitoba which provides for any additional funding for claim payments. (Notes 14 and 15 provide a summary of the reinsurance programs). Both insurance programs also have the capacity to borrow funds from the Province of Manitoba, if required.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect MASC's income or the fair values of its financial instruments. The significant market risk MASC is exposed to is interest rate risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to investments, loans receivable, and advances from the Province of Manitoba.

Investments - MASC's investment portfolio is mainly in short-term interest bearing investments. The investments are classified as held to maturity financial instruments and therefore, changes in interest rates do not affect the value of the investments on the financial statements. All of MASC's investments are placed through Manitoba Finance.

Loans Receivable/Advances from the Province of Manitoba – MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at 1.5 percentage points above the corresponding borrowing rate. MASC offers only fixed interest rate loans to its clients, which are generally fixed for the full term of the loans. All advances from the Province of Manitoba have fixed interest rates for the full term of the advances. Due to this arrangement, MASC does not incur significant interest rate risk. However, some interest rate risk is involved in MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the ability to prepay its advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

26. Actuarial Review

An actuarial certification of MASC's AgriInsurance Program was completed by Tillinghast – Towers Perrin, consulting actuaries, in March 2008. The actuarial review concluded that the methodologies used to establish the probable yields for insured crops do not exceed productive capabilities; that the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and that the program meets the financial self-sustaining criteria as defined by the Government of Canada. Any new programs or program changes require actuarial review prior to implementation.

27. Related Party Transactions

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. MASC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Interest earned on investments held by the Province of Manitoba amounted to $7,158,000 (2008 – $10,134,000). Included in accounts receivable (Note 9) is $401,000 (2008 – $1,225,000) of accrued interest related to these investments

28. Comparative Figures

Certain 2008 figures have been reclassified to conform to the 2009 financial statement presentation.

Schedule 1
CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES

for the year ended March 31, 2009 (in thousands)

	2009	2008
Adjustors' wages, benefits and expenses	$ 4,824	$ 4,744
Advertising	302	307
Amortization expense	94	94
Appeal Tribunal	21	28
Audit fees and legal	320	229
Directors' remuneration and expenses	122	141
Furniture and equipment	108	116
Information technology	486	638
Office rental and utilities	1,032	920
Other administrative expenses	592	531
Other administrative recoveries	(623)	(560)
Postage	185	200
Printing and office supplies	209	217
Salaries and employee benefits	12,079	10,490
Telephone	211	216
Travel and vehicle expenses	463	474
Total administrative expenses	$ 20,425	$ 18,785
Administrative expenses allocation:		
Lending Programs	$ 5,146	$ 4,662
AgriInsurance Program	10,547	10,306
Hail Insurance Program	2,608	2,503
Wildlife Damage Compensation Program	458	407
Farmland School Tax Rebate Program	411	370
Other Programs	1,255	537
Total administrative expenses	$ 20,425	$ 18,785

SCHEDULE 2
STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2009 (in thousands)

	LENDING PROGRAMS		AGRIINSURANCE PROGRAM		HAIL INSURANCE PROGRAM	
	2009	2008	2009	2008	2009	2008
REVENUE:						
Insurance premiums						
Insured producers	$ -	$ -	$ 76,571	$ 58,880	$ 22,017	$ 14,355
Government of Canada	-	-	71,769	55,225	-	-
Province of Manitoba	-	-	47,846	36,815	-	-
	-	-	196,186	150,920	22,017	14,355
Interest from loans	20,385	20,453	-	-	-	-
Other contributions – Government of Canada	-	-	6,327	6,181	-	-
Other contributions – Province of Manitoba	5,731	4,387	4,241	4,138	-	-
Investment income	180	872	6,206	7,926	1,119	1,446
Real estate and other income	229	167	-	-	-	-
Reinsurance recoveries *(Notes 14 & 15)*	-	-	(138)	-	-	-
Total revenue	26,525	25,879	212,822	169,165	23,136	15,801
EXPENSES:						
Insurance indemnities and compensation payments *(Note 21)*	-	-	57,834	72,433	9,916	14,423
Reinsurance premiums *(Notes 14 & 15)*	-	-	32,133	24,210	1,361	1,022
Interest on borrowed funds	17,709	18,574	-	-	-	-
Provision for credit losses *(Note 12)*	3,286	15	494	117	(2)	(16)
Provision for guaranteed loan losses *(Note 23)*	2,286	1,131	-	-	-	-
Young farmer incentives	1,805	1,724	20	13	-	-
Loan interest concession *(Note 11)*	1,716	221	-	-	-	-
Farmland school tax rebate	-	-	-	-	-	-
Other program payments	-	-	-	-	-	-
Administrative expenses *(Schedule 1)*	5,146	4,662	10,547	10,307	2,608	2,502
Total expenses	31,948	26,327	101,028	107,080	13,883	17,931
Income (loss) for the year	(5,423)	(448)	111,794	62,085	9,253	(2,130)
Funds retained, beginning of year	(39,764)	(39,316)	221,291	159,206	31,659	33,789
Funds retained, end of year	$ (45,187)	$ (39,764)	$ 333,085	$ 221,291	$ 40,912	$ 31,659

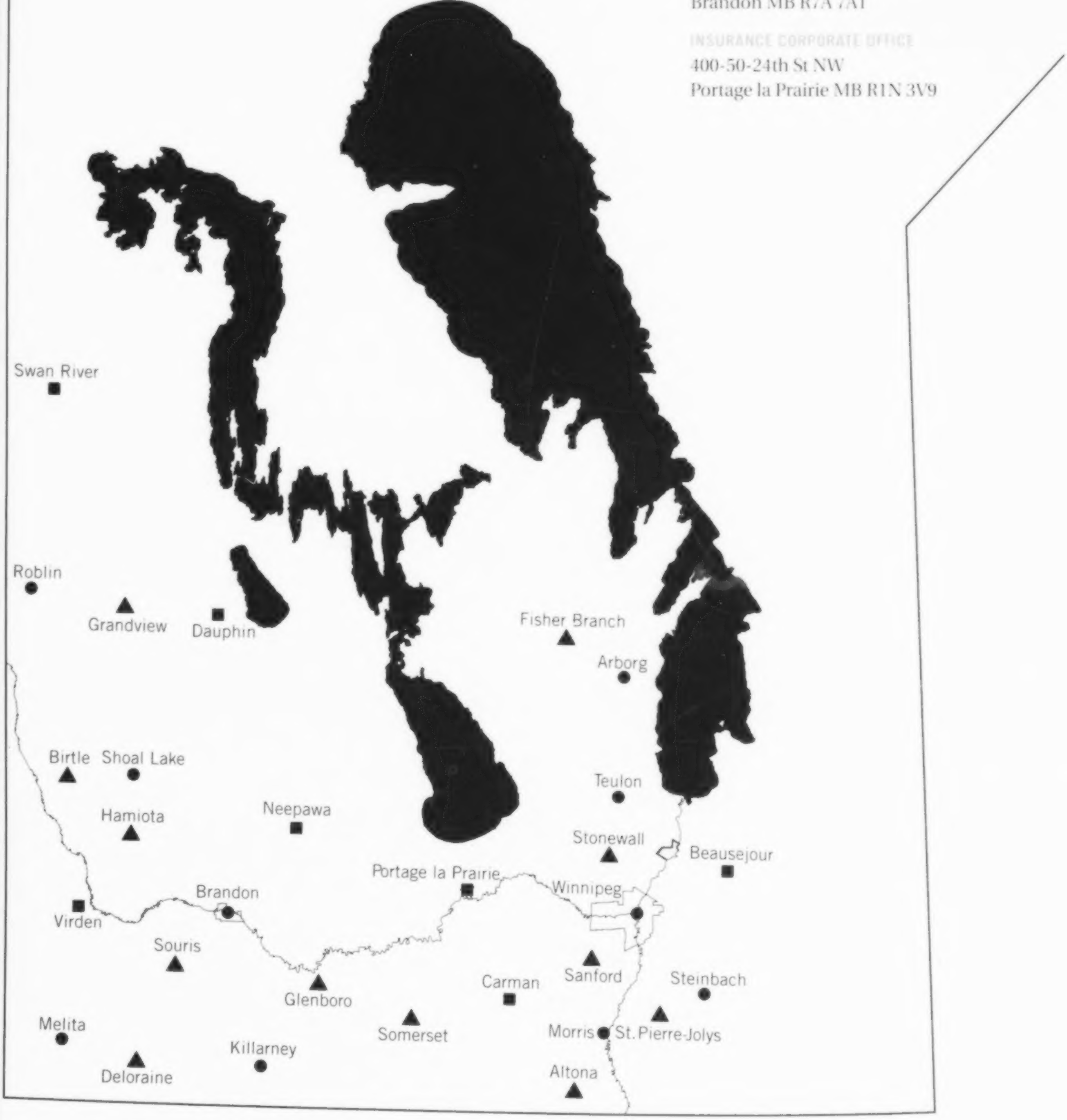
WILDLIFE DAMAGE COMPENSATION PROGRAM *(NOTE 5)* 2009	2008	FARMLAND SCHOOL TAX REBATE PROGRAM *(NOTE 6)* 2009	2008	OTHER PROGRAMS *(NOTE 7)* 2009	2008	TOTAL 2009	TOTAL 2008
$ -	$ -	$ -	$ -	$ -	$ -	$ 98,588	$ 73,235
-	-	-	-	-	-	71,769	55,225
-	-	-	-	-	-	47,846	36,815
-	-	-	-	-	-	218,203	165,275
-	-	-	-	-	-	20,385	20,453
1,788	1,428	-	-	16,490	-	24,605	7,609
1,192	952	25,431	29,371	8,918	16,544	45,513	55,392
-	-	101	198	18	7	7,624	10,449
-	-	-	-	595	514	824	681
-	-	-	-	-	-	(138)	-
2,980	2,380	25,532	29,569	26,021	17,065	317,016	259,859
2,522	1,973	-	-	-	-	70,272	88,829
-	-	-	-	-	-	33,494	25,232
-	-	-	-	-	-	17,709	18,574
-	-	-	-	-	-	3,778	116
-	-	-	-	-	-	2,286	1,131
-	-	-	-	-	-	1,825	1,737
-	-	-	-	-	-	1,716	221
-	-	25,121	29,199	-	-	25,121	29,199
-	-	-	-	24,766	16,528	24,766	16,528
458	407	411	370	1,255	537	20,425	18,785
2,980	2,380	25,532	29,569	26,021	17,065	201,392	200,352
-	-	-	-	-	-	115,624	59,507
-	-	-	-	-	-	213,186	153,679
$ -	$ -	$ -	$ -	$ -	$ -	$ 328,810	$213,186

MASC
Manitoba Agricultural Services Corporation

● Lending Office
▲ Insurance Office
■ Insurance and Lending Office

LENDING CORPORATE OFFICE
Unit 100-1525 First St S
Brandon MB R7A 7A1

INSURANCE CORPORATE OFFICE
400-50-24th St NW
Portage la Prairie MB R1N 3V9



Notes

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